



Shoreline Policy and Procedure

FIN – Debt collection - FIN 08-1

Subject: Procedure for Collection of Debts	Code and statutory authority:
Effective Date January 2008	Approved By:
Prior Versions and Related Policies Accident Claims Damaging City Property dated January 31, 2003	City Manager – January 2008 City Attorney – December 2007

1.0 PURPOSE

The purpose of this policy is to detail the City's procedure for collecting debts, including debts related to insufficient funds checks, damage to City property, breach of contract, code enforcement abatement costs, assessment of civil penalties, and taxes and fees.

2.0 DEPARTMENTS AFFECTED

All departments.

3.0 REFERENCES AND FORMS

3.1 REFERENCES

A. Statutes of limitation

1. RCW 4.16.040: Six year statute of limitations for actions in contract and actions upon account receivables incurred in the ordinary course of business.
2. RCW 4.16.080: Three year statute of limitations for actions involving property damage.
3. RCW 9.46.350: Five year statute of limitations for bringing a civil action involving collection of gambling tax.

B. Interest rate: RCW 19.52.020: Highest permissible interest rate (12%).

C. Gambling tax and lien

1. SMC 3.30.060: Due date and delinquency of gambling tax
2. RCW 9.46.350 and RCW 84.60.010: Gambling tax liens

D. Utility tax

1. SMC 3.32.060 Due date and delinquency of utility tax

E. Abatement:

1. SMC 20.30.775 Penalties and costs

2. SMC 3.35.180 Code abatement fund

3.2 TEMPLATES

- A. Certification of Abatement Costs to County Treasurer
- B. Promissory Note
- C. Gambling tax lien letter

4.0 PROCEDURES

4.1 CIVIL DEBTS - GENERAL

- A. Debt Collection Letter and Civil Penalties Letter: For collection of general civil debts, including insufficient funds checks, damage to City property of a non-criminal nature, utility tax and breach of contract damages, Finance sends a debt collection letter and an invoice to the individual responsible for payment. Code Enforcement sends the first civil penalties letter. If the civil penalties are not paid or settled within thirty (30) days of the letter, the civil penalties shall be forwarded to Finance for invoicing.

Two Past-Due Notices: If the individual does not respond to the initial invoice, Finance sends two (2) past-due invoices. The first past-due invoice shall be mailed within forty-five (45) days of the initial invoice. The second past-due invoice shall be mailed within ninety (90) days of the initial invoice (i.e., 45 days after the first past-due invoice). If the individual still does not respond, Finance telephones the individual to obtain payment commitment.

- C. Collections: If the individual fails to respond after Finance's attempts, the following procedures apply:

1. For amounts under \$1,000, Finance sends the claim to the collections agency. (Note: civil penalties shall only be filed with the collections agency if the debtor defaults on a promissory note associated with the civil penalties.)
2. For WCIA-covered debts over \$1,000, Finance forwards the file to WCIA
3. For non-WCIA-covered debts over \$1,000, Finance forwards the file to the City Attorney's Office. The Finance Director must be informed of the file transfer. The City Attorney's Office will proceed with collection for all amounts of civil penalties.
 - a. The City Attorney's Office will proceed with collection via a promissory note or a lawsuit. If a promissory note is used, the interest rate shall be set at a commercial rate for personal loans. A lower interest rate of the average rate of return that Shoreline receives on investments may be used if the debtor demonstrates hardship based on assets, income and outstanding debt. The rate shall be 12% if the note is in default. The promissory note shall not exceed five (5) years.

- D. All debt collections shall be deposited into the appropriate fund.

4.2 GAMBLING TAX

- A. Gambling taxes must be paid in quarterly installments, and remittance must be made on or before the thirtieth (30th) day of the month next succeeding the quarterly period in which the tax accrued.
- B. The following penalties shall be applied to the late payments:
 - 1. Taxes paid on or before the fifteenth (15th) day of the second month next succeeding the quarterly period in which the tax accrued: 10% added to the amount due, with a minimum penalty of \$5.00.
 - 2. Taxes paid prior to the thirtieth (30th) day of the second month next succeeding the quarterly period in which the tax accrued: 15% added to the amount due, with a minimum penalty of \$10.00.
 - 3. If payment is not made prior to the thirtieth (30th) day of the second month next succeeding the quarterly period in which tax accrued, 20% shall be added to the amount due, with a minimum penalty of \$15.00.
- C. If the gambling establishment still has not paid by the thirtieth (30th) day of the second month next succeeding the quarterly period in which tax accrued, then:
 - 1. The gambling establishment shall execute a promissory note prepared by the City Attorney's Office; and
 - 2. The City Attorney's Office shall file a gambling tax lien on the establishment. This lien will take the form of a certified letter to the owner citing RCW 9.46.110, and will be recorded against the property

4.3 DEBTS INVOLVING CRIMINAL CITATIONS

- A. Upon receipt of the cost for loss or repair of city property resulting from criminal conduct, Finance sends a debt collection letter and an invoice to the individual responsible for the property damage to recover costs of loss or repair. If information on the individual responsible is needed, Finance shall work with the City Attorney's Office to obtain this information. Finance shall notify the City Attorney once the individual is invoiced, and shall notify the City Attorney in the event the individual pays the City. The City Attorney will include a restitution demand as part of any sentence.

4.4 CODE ENFORCEMENT ABATEMENT COSTS

- A. Unfit dwellings and premises
 - a. The Code Enforcement Officer tracks the abatement costs, including the cost of repairs, alterations, improvements, vacating, closing, removal and demolition. If the building is removed, PADS shall, if possible, sell the materials from the building or premises, and credit the proceeds of the sale against the cost of removal or demolition. If there is a positive balance from the sale, it shall be paid to entitled parties, as determined by the PADS Director.

- b. Once the abatement has concluded, the Code Enforcement Officer forwards the total amount of abatement costs to the Finance Director, taking into account proceeds of any material sale.
- c. Finance shall send a debt collection letter and invoice for abatement costs to the property owner. No past-due notices shall be sent. A promissory note may be used if the debtor cannot pay in full. All monies collected for abatement costs shall be allocated to support expenditures for abatement, and deposited in the code abatement fund.
- d. If the debt is not paid within thirty (30) days, the Finance Director sends a certification of abatement costs to the County Treasurer certifying the amount spent on abatement.
- e. The County Treasurer enters the amount of such assessment on the tax rolls against the property for the current year, to be collected as general taxes, and deposited in the general fund of the City. The assessment shall be a lien against the property, of equal rank with State, county and municipal taxes.

B. Junk vehicles

- 1. The Code Enforcement Officer tracks the costs for abating junk vehicles, If the vehicle wrecker, hulk hauler or scrap processor posts any net proceeds from the sale of the junk vehicle, the proceeds of the sale shall be credited toward the cost of removal or demolition.
- 2. Once the abatement has concluded, the Code Enforcement Officer forwards the total amount of abatement costs to the Finance Director, taking into account proceeds of any sale. The Code Enforcement Officer also forwards all information regarding the last registered vehicle owner, and the landowner on which the vehicle was located. If a hearing was held to determine ownership of the vehicle, the Code Enforcement Officer forwards the outcome of the hearing to Finance.
- 3. Finance sends a debt collection letter and invoice for abatement costs due to the last registered vehicle owner. No past due notices shall be sent.
- 4. If no registered vehicle owner can be contacted, then Finance sends a debt collection letter and invoice for abatement costs to the landowner on which the vehicle was located. However, if the landowner has shown in a hearing that the vehicle was placed on his/her property without his/her consent, then the landowner cannot be invoiced for the costs.
- 5. If the landowner does not respond to the invoice within thirty (30) days of the initial invoice and the hearing, if any, then the Finance Director shall certify the costs to the County Treasurer to be entered upon the tax rolls.

Date

King County Department of Executive Services
Finance and Business Operations Division
Treasury Operations Section
Manager: Phil Sanders
ADM-ES-0611
500 Fourth Avenue
Seattle, WA 98104-1598

To Whom It May Concern:

The City of Shoreline certifies that it spent \$_____ in abatement costs to _____ the following site:

Address:

Tax account number:

Legal description:

Please enter the assessment amount of \$_____ on the tax rolls against the property for the current year to become part of the general taxes, as provided for under Shoreline Municipal Code 20.30.780 and RCW 84.56.020. This assessment constitutes a lien against the property.

Sincerely,

Debbie Tarry
Finance Director

enclosure

date

Business owner

Re: Delinquent Gambling Tax Debt for _____

Lien Attachment to Real Estate Tax Account _____

Washington State Gambling Commission License for _____:

Dear *name*:

This letter is to serve as notice to you that gambling taxes for *name of casino* are overdue in the amount of \$ _____ for the _____ quarter 200____, and that payment of the taxes must be made prior to any sale or transfer of property.

RCW 9.46.110 provides that taxes imposed on gambling activities become liens on personal property of the business and real property used in the gambling activity. The lien shall attach on the date the tax becomes due and shall relate back and have priority against real and personal property to the same extent as ad valorem taxes. The tax liens can only be released through payment of the actual gambling tax due for each quarter.

This letter will be filed as public record to ensure that the statutory liens are recorded against the property. If you have any questions related to this action, please contact me at the number listed below.

Sincerely,

Debbie Tarry
Finance Director
(206) 546-0787

enclosures

PROMISSORY NOTE

_____, Washington _____, 200____
\$ _____

FOR VALUE RECEIVED, _____, ("MAKER"), promises to pay to _____
("HOLDER"), or order, the principal sum of _____ Dollars (\$) in lawful money of the
United States of America, on the following terms and conditions:

1. **Interest.** Interest shall accrue on the unpaid principal balance from the date hereof at the rate of ____ percent (%) per annum, calculated by the declining principal balance method.
2. **Payment of Principal and Interest.**
 - a. Monthly installments of principal and interest shall be paid in the amount of _____ Dollars (\$).
 - b. The first installment payment shall be due on _____, 2003, with subsequent installments due on the _____ day of each succeeding month until the balance due is paid in full.
 - c. The full amount of principal and interest shall be due on or before the date which is, _____, (____) years from the date of this Note.
3. **Right of Prepayment.** MAKER shall have the right to prepay the unpaid principal balance, in whole or in part, at any time without penalty.
4. **Payment Location.** Unless otherwise directed in writing by the HOLDER of this Promissory Note, all payments shall be made at the following address:

Finance Department
City of Shoreline
17544 Midvale Avenue North
Shoreline, Washington 98133-4921
5. **Default.** If MAKER defaults in the payment of any amount due under this Promissory Note, the entire principal sum and accrued interest shall at once become due and payable at the option of the HOLDER of this Promissory Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same at any time MAKER is in default.
6. **Collection Costs and Attorneys' Fees.** MAKER promises to pay all costs and fees incurred by the HOLDER of this Note in the event payment is not made when due hereunder. MAKER further promises that if any suit or action is

instituted to collect this Promissory Note or any part thereof, MAKER will pay, in addition to the costs and disbursements provided by statute, a reasonable sum as attorneys' fees and costs of litigation in such suit or action, including reasonable attorneys' fees and costs incurred in any appeal thereof.

7. **Venue/Governing Law.** At the option of the HOLDER of this Promissory Note, the venue of any action hereunder will be in King County, Washington. This Note shall be construed in accordance with the laws of Washington.
8. **Waiver of Demand.** MAKER (and any endorser) hereby waive demand, presentment, protest, or notice of any kind and expressly agree that if this Note or any payment due hereunder may be extended, any such extension shall in no way impair the liability of MAKER.
9. **Execution As Principal.** Each person or entity signing this Promissory Note executes the same and shall be bound as a maker and principal and not as surety, accommodation party, guarantor, or endorser.

MAKER:

Signature

Printed name

Address